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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 001266

SIPDIS

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [ETRD](#) [SOCI](#) [MV](#)

SUBJECT: Excitement over Maldivian economic growth
tempered by development worries

Ref: (A) Colombo 1244; (B) 02 Colombo 2329

(U) Classified by James F. Entwistle, Charge d'Affaires.
Reasons 1.5 (b, d).

1. (C) SUMMARY: During recent Embassy meetings in the Maldives, government and business interlocutors spoke about the positive social and economic developments in the country in recent years, spurred especially by the growth of the tourism industry. These contacts worried, however, about the government's ability to continue this development trend and generate opportunities for the growing youth population. The government will face some serious logistic and social challenges to provide for all Maldivians, a task which contacts feared would become extremely difficult if LDC status were lost. END SUMMARY.

2. (C) VISIT TO MALE: Charge Camp and emboffs visited the Maldives, July 13-15. The U.S. team met ministry officials, as well as business and non-governmental organization contacts. The meetings took place in the Maldivian capital of Male, an island that is home to one-quarter of the country's population of approximately 300,000 people. During the visit, Male was bustling and its streets were full of life. There was also much evidence of construction, especially of apartment buildings to house the city's expanding population. (Note: Though the government tries to discourage it, there is considerable migration from other islands to Male, which is part of the most prosperous atoll in the country.)

3. (C) PROS OF DEVELOPMENT: Our contacts in the government, non-governmental organizations (NGOs) and business sectors all spoke of the positive economic developments within the country in recent years. The Ministry of Planning cited a tripling in GDP per capita income over the last decade while several sources reported that electricity, phone service, primary education and health clinics are now present on all 200 inhabited islands. The tourism industry continues to expand -- numbers suggest annual visitors will soon be double that of the population -- and recent new investment has led many interlocutors to feel that these development trends are likely to continue in the near future.

4. (C) NEW "ISLAND" IN ATOLL: Some of this economic prosperity can be seen in the opportunities available in Male, and its attraction to residents from other islands. As a result, the increasing population on Male has created a serious problem of overcrowding. (Note: Male, on a .77 sq. mile island, is home to 74,000 people, resulting in a population density 50 percent greater than that of Manhattan.) In response to this issue, government contacts were eager to share plans about a neighboring "island" that is being reclaimed from a lagoon in the sea. Called Hulhumale, the development project is scheduled to continue for the next 15-30 years on this former lagoon located two islands northeast of Male. Government plans call for the first 250 houses, with municipal infrastructure and some local business, to be completed by the end of 2003. When finished, the island will have triple the area of Male and many of its residents are expected to commute by ferry to Male. One foreign ministry official said he was already looking forward to moving there, to have more space than he currently had on Male.

5. (C) WORRIES ABOUT CONTINUED DEVELOPMENT: At the same time, many sources expressed reservations about the long-term ability of the government to sustain such development trends. The unique problem of having a population spread over 540 miles from north to south on 200 inhabited islands makes many development efforts economically challenging and commercially infeasible. Ministry officials said that telecom service on an island, for example, may be limited to a single public pay telephone and the cost of building an island school was six times that of a comparable Sri Lanka one. NGO and government contacts stated that some economic figures

were misleading, as they included expatriate wages and foreign corporate profits which do not get recycled in the Maldivian economy. Rather, some NGO officials said 20 percent of the population is estimated to live on less than one USD a day. (Note: Official statistics cite an average 2100 USD per capita annual income.) Ministry officials were also concerned that continued investment funding by major development banks and favorable trading status crucial to this pace in growth would be in jeopardy if the country lost its LDC status.

16. (C) SOCIETAL PROBLEMS IN THE WAKE OF GROWTH: Perhaps the most significant problem mentioned by all interlocutors was a lack of opportunities for young Maldivians. More students are now able to go abroad for higher education opportunities, but return to find very little productive work. Even those who complete only secondary education find their liberal arts-focused curricula lacking in necessary trade skills. With 55 percent of the population under 20, contacts admitted the employment problem would only increase. Foreign Ministry officials feared that a growing population of idle youths could eventually provide fertile ground for Islamic fundamentalist movements to gain a foothold in the moderate Islamic country.

17. (C) COMMENT: A number of factors stand in the way of the development of the Maldives. Among these are vast inequalities in wealth between residents of Male and those of the outer atolls, and the enormous costs of providing even basic services to the distant communities which make up the majority of the country's population. The achievements of the last decade look impressive on paper and have indeed benefited the Maldivian people. Realistically, however, the development of the Maldives continues to hinge on the international aid and favorable trading agreements it receives as a result of its LDC status. END COMMENT.

18. (U) Minimize considered.

ENTWISTLE